

Examining Competitive Intensity and Social Enterprise Performance

Patrick Wood, B.A. (Hons.)

Goodman School of Business

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Faculty of Business, Brock University

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Abstract

This thesis explores how Social Enterprises' (SE) manage their economically-driven activities with their mission-related activity and how these impact their relative economic and social performance. Given the little research that has been done on external factors within SEs, competitive intensity and its impact on the performance of hybrid SEs was also examined in terms of how it might influence the above trade-offs. The authors looked at longstanding, social enterprises within the second-hand textile industry as a suitable model for SEs participating in a competitive environment. What the authors found was that while economically-driven activities appeared to have a negative impact on social performance, counter-intuitively, mission-driven activity had a positive effect on both social and financial performance. Furthermore, while competitive intensity has a positive buffering effect between mission-driven activity and both economic and social performance, the opposite is true of economic-driven activity, where competition seems to have a negative buffering impact. These findings demonstrate the need for further research into the role competition plays within hybrid organizations and from a practical position, may inform the strategic decisions of managers who might expect a linear relationship between the type of activity engaged and outcomes.

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Introduction

1.0 Background

Emerging Competition among S.E. 's in the Second Hand Textile Industry

Early into the first quarter of 2016, Goodwill Industries closed the doors on its flagship location in the Greater Toronto Area (GTA). This had come as a shock, as the company was an institution in the city and had first opened its doors back in 1935, offering employment services to disadvantaged individuals (Charity Intelligence Canada, 2016). Given the history of this non-profit, the increasing demand and growth opportunity for used textiles (Helms, 2012), it surprised many within and outside of the organization when the decision was finally made. In addressing the closure, current CEO Keiko Nakamura offered the following statement:

"Between December and March each year, Goodwill suffers from negative cash flow [...] We are faced with a business model with very low margins," she said. "With increasing competition in the retail space, we are not immune to factors impacting our cash flow." (CBC News, 2016)

The reason why second hand retail operations like this one are facing difficulty is not for a lack of demand, as we are seeing an increasing demand specifically for textiles (IBISworld, 2016; Parsons, 2000). In fact, the opposite is the case; we are seeing more and more organizations, both profit driven and non-profit, entering the world of recycled textiles (Cervellon, Carey, & Harms, 2012). There has been a growing impetus among both the private and the social sector to encourage entrepreneurship within "sustainable," "socially conscious," or "green" operations

(Chell, Nicolopoulou & Karatas-Ozkan, 2010). Value Village is an example of a socially conscious organization that engages in social value creation activity by redirecting clothing out of landfills in order to be re-used. Of course, there are many ways of generating social value within an organization. Green Drop: Charitable Donations, in collaboration with St. Vincent De Paul, collects and then sells clothing to thrift shops, the monies eventually going to fund missions like the National Federation for the Blind (GreenDrop, 2016). Regardless of the specific nature of the second hand textile organization, it is evident that there are many organizations/businesses competing over a common resource with different end goals, be it social or financial gain (Cervellon, Carey, & Harms, 2012). In the context of regional spaces that compete fiercely over resources like used textiles, companies must be able to meet their goals and remain significant in that area.

With the amount invested and the number of jobs in jeopardy, it is crucial to begin to understand how these well-intentioned motives play out. As union lawyer Daniel Ellickson relates to us in the context of the Goodwill closure:

It has come as a complete shock to the union and its employees [...] We heard news late last evening (Saturday) that one of the stores had closed. This morning we discovered all of the stores had closed with no notice or no reason given. (The Toronto Star, 2016)

Whether it is Goodwill, Salvation Army, or Value Village, even well established organizations

with a long history are not immune to the pressures of an increasingly crowded market place.

Their respective ability to meet the demands of their stakeholders becomes unquestionably more difficult.

Goodwill Industries is one of the now many organizations that operate in the second-hand textile space including other notables such as St. Vincent De Paul, Ladies of Charity, and Salvation Army. Businesses that are registered as charitable organizations (IRS, 2016) take the profits earned from retail activities to fund their social missions. They then take their profits to direct efforts toward helping disenfranchised job seekers (i.e. individuals suffering multiple employment barriers such as criminal history, mental and/or physical disability, and veterans) by providing them with the skills, education, and training needed to compete in their local workforce. Nevertheless, those firms that compete in the second hand clothing industry, must face up to the same competitive pressures and their ultimate viability depends on their capacity to generate revenue as well as to create social good.

Yet, SEs encompass a broader range of organizations than just being limited to the second-hand textile industry; this industry reflects merely one example where SE happen to face an increasing degree of competitive intensity. SEs “primarily pursue a social mission while also engaging in commercial activities to sustain their operations through sales of products and/or services (Battilana, Sengul, Pache & Model, 2015)”. In other words, SEs include any organization that is

characterized by this hybrid nature and so we would expect, naturally, that competition would look different across industries; however, the tension placed by competition would have unique implications for those organizations that might be forced to make trade-offs between social and economic performance goals.

1.1 The Literature Gap

There is a need to clarify the trade-offs that occur or might occur within SEs given their dual focus between their economic and social aims. There is also a need to develop a conceptual framework for external factors like competition and its impact on the social and economic performance of social enterprises. While Crucke & Decramer (2016) discuss a possible internal measure of non-financial performance using qualitative techniques, specifically the Delphi method, the emphasis again is on the internal operation of the organization rather than the organization's place in the marketplace or as seen in relation to other social enterprises. This has in part to do with the relatively recent emergence of SEs as a distinct player (Phillips, Lee, Ghobadian, O'Regan, & James); these businesses are forced to negotiate unique challenges in order to balance both financial and social performance needs. Finally, while plenty of work has examined the relationship between competition and economic performance (Chatain, 2011), less attention has been paid to the impact of competition on generating 'social value'. The SE must meet stakeholder expectation in terms of their economic and social performance, but must do this

in the context of the broader marketplace.

SE's tend to operate differently and do not fit neatly into more traditional schemas as to how organizations perform - namely, the stakeholder(s) are primary while the market serves them. Traditionally research has focused on for-profit enterprises (Phillips, Lee, Ghobadian, O'Regan, & James); while less attention is paid to the SE, which has fundamentally different expectations. The for-profit model centres on their economic bottom line even where social causes may be a part of their 'brand' or values. The non-profit SE centres on social performance through revenue generating (or, from here on in, economic-driven) activity; so while the traditional for-profit organization may use their ability to promote social goods as a means to an end, namely economic output, the SE works the opposite direction, where economic output is the means to a different end – that is social performance.

The primary goal of this research is to ascertain how SEs balance stakeholder needs, in terms of social and economic value creation, within an increasingly competitive environment. There are many organizations viewing their ability to create social good from a very specific paradigm where they must compete over a limited resource – rather than coordinating to enlarge this resource. For example, in the crowded marketplace of the Greater Toronto Area for second-hand textiles, Goodwill was forced to shut down its operations; as a result, jobs are lost, their mission-related placement activities grinded to a halt, and the textiles themselves either end up

in landfills or are recovered by the competition (Salvation Army, 2016). As such, even traditionally large and well-established companies continue to compete for resources in order to retain their ground.

1.2 Significance of Research

Theoretical Implications

The literature has focused on the internal mechanisms (Crucke & Decramer, 2016) and organizational relationships (Phillips, Lee, Ghobadian, O'Regan, & James, 2015) within SE firms or the conceptual status of SE as a distinct organization. What has been neglected to some degree has been to look at how SEs function in terms of their hybrid nature – how do their economic and social value creation activities translate to their actual economic and social performance. More, what is the impact of competitive intensity on an organization's ability to balance economic and social value creation? Given greater or less competition, are SE's able to translate these activities into measurable consequences that either benefits their bottom line or their stated mission? By contrast, the for-profit literature shows that in the face of competition (Chatain, 2011), strategy is aimed at protecting only the bottom-line – we would not expect the same to be true of SEs. The contribution made by this research is to show how a hybrid organization that is committed to one type of activity (i.e. mission-driven or economic-driven) will see different performance trade-offs and that competition may spur certain trade-offs to

occur.

Practical Implications for Social Enterprises

Every SE has their own mission and strategic focus – whether it is offering employment opportunities or finding food, shelter and clothing for the indigent (e.g. St. Vincent De Paul, Salvation Army, Goodwill) or by helping with “saving the earth” by taking gently used clothing and saving them from landfills (e.g. Value Village, Wynmarks, WebThriftStore). Every company has a different notion and a different idea in mind in terms of how to create social value. We know very little on how they actually perform and to what degree they are able to translate economic-focused activities into this social value. There are an ever increasing number of organizations that self-identify as Social Enterprises particularly in North America. With that in mind it is incumbent upon companies to recognize and respond to this competition (Smith, Gonin, & Besharov, 2013). Social enterprises must strive to understand or to fully appreciate the impact of this growing competition when looking at how their organizations are operating (Smith, Gonin, & Besharov, 2013; Smith, Tian, & Yunhe, 2014). As noted in a study on SE within the context of legitimacy, many organizations are adopting a SE framework with the hope of capturing a market of consumers that want to see their money not only go to a product or service, but to a greater overall mission (Kim, Karlesky, Myers, & Shifeling, 2016). There is a potential that by entering the same space, SE’s may risk not only decreasing their share, but the

overall cumulative share that goes to the creation of these social goods. The reason why a paper like this one is important, in part, has to do with the fact SE's are becoming important players in the innovative market approach they take to generating revenue towards social missions.

Research into those drivers of performance and their ultimate outcomes is vital. SE's have the potential to create tremendous social value and further societal interests. However, they must manage both their economic-driven activities and mission-related activities in the face of increasing competition to survive. We know that SE's are subject to competitive pressures – the closure of Goodwill's flagship location in the GTA confirms this – yet, we do not know exactly how it may affect or interact with an organization's attention and their allocation of resources and hence their ultimate dual performance outcomes.

1.3 Research Question

This sector, which has become increasingly innovative and competitive from every point in the lifecycle of the product (e.g. Ozdil & Anand, 2014), and is ideally suited to our current research. In order to address this gap and develop appropriate theory to explain it we formulate the following research question. How does the experience of greater competition influence the social and economic performance of hybrid organizations?

1.4 Summary of Terms

The following terms are included here for quick reference. They are not exhaustive descriptions, but rather brief definitions to guide the reader.

Charity: For U.S. definition under the IRS see the following: “A charitable organization is an organization operated for purposes that are beneficial to the public interest.” (IRS, 2016)

Hybrid Organizations: refer to “those enterprises that design their business models based on the alleviation of a particular social or environmental issue. Hybrids generate income and attract capital in ways that may be consistent with for-profit models, non-profit models, or both.” (Haigh, Walker, Bacq, and Kickul, 2015). In this paper, Social Enterprises are treated as synonymous with Hybrid Organizations.

For-Profit Organization: The term for-profit refers to any business entity that retains surplus earning for owners or shareholders and are thus subject to any of the tax laws for that jurisdiction, such as capital gains.

Institutional Logics: “[are] the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.” (Thornton and Ocasio, 1999)

Non-Profit Organization (NPO): In the United States, an NPO is generally defined as any organization that qualifies for tax-exempt status under the IRA tax code (including charitable organizations). However, in Canada, as mentioned above, this applies to all organizations that reinvest surplus income, but that explicitly exclude public charities.

Social Enterprises: Refers to organizations that adhere to a social objective and generate profit through social entrepreneurship activities (Chell, Nicolopolulou, & Karatas-Ozkan, 2010) and is thus consistent with the Haigh, Walker, Bacq, and Kickul (2015) definition “those enterprises that design their business models based on the alleviation of a particular social or environmental issue. Hybrids generate income and attract capital in ways that may be consistent with for-profit models, non-profit models, or both.”

Social Performance: A measure of an organization’s effectiveness in fulfilling its stated mission (e.g. placing individuals in employment, saving the environment, offering shelter and food to the indigent.)

Economic Performance: A measure of the classic “bottom line”; i.e. the ability of the organization to generate profit.

Literature Review

2.0 Brief Overview

SEs, which we discuss in greater depth below, face unique challenges owing to their dual purpose and because of this, they face greater internal tension than those seeking only economic or financial goals. To date, little research exists on the performance of SE's and specifically how these tensions influence performance. Moreover, another area of tension that has yet to be really explored or addressed are external factors, and in particular, competition. The author will demonstrate that:

- 1) Social enterprises represent a departure from other more singularly focused organizations, with their own unique tensions.
- 2) That because of their dual nature and often-conflicted roles, this influences performance, economic and social through the organization allocating more or less resources to a given activity.
- 3) When confronted with increasing external pressures, such as competition, how are SEs' dual performance outcomes being effected?

2.1 Social Enterprises

Definition of Social Enterprise

To this current date, there has been debate about what constitutes a social enterprise (Doherty, Haug, & Lyon, 2014; Grimes, McMullen, Vogus, & Miller; Kerlin, 2006). The common thread among the literature within this sector suggests that the organization must be focused on fulfilling a social cause. The organization operates to generate revenue for the cause rather than for shareholders – in other words, the hybrid organization generates profit using traditional market means in order to fund their cause (Doherty, Haug, & Lyon, 2014; Grimes, McMullen, Vogus, & Miller; Kerlin, 2006). For the purpose of this paper, SEs will refer to organizations that adhere to a social objective and generates profit that can include social entrepreneurship (Chell, Nicolopolulou, & Karatas-Ozkan, 2010) and not-for-profit agencies (Kerlin, 2006). SEs will be compared against their for-profit counterparts within their own respective sectors or industries in terms of how they might respond differently to environmental challenges, as the latter are expected to behave along line that have previously explored in-depth in the literature.

Understanding the Nature of the Social Enterprise

Contrasting SEs with for-profit, we see that they differ in that their explicit goal is the betterment of the community by creating new services or revitalizing existing ones (Chell, Nicolopolulou, &

Karatas-Ozkan, 2010; Phillips, Lee, Ghobadian, O'Regan, & James, 2015). They identify and attempt to solve social environmental problems (Battilana & Lee, 2014), rather than being *primarily* interested in profit-seeking activities (Baumol, 1990). The primacy of the stakeholder over the shareholder lies at the heart of SE's; however, the degree to which an organization focuses on generating social value over economic value will naturally differ. When it comes to for-profit organizations, the creation of 'social value' is not the primary objective; the need to create social value is included as a desire to appease "socially conscious" stakeholders (Mitchell, Agle, & Wood, 1997).

Therefore, SEs have a hybrid role where they must not just achieve economic goals (as is the case in traditional for-profit organizations), but also social goals. Haigh, Walker, Bacq, and Kickul (2015) define hybrid organizations as:

...those enterprises that design their business models based on the alleviation of a particular social or environmental issue. Hybrids generate income and attract capital in ways that may be consistent with for-profit models, non-profit models, or both (pg. 5)

The term SE is, of course, not mutually exclusive with the term "hybrid organization" and it is in fact useful, particularly in this paper, to think of these organizations that have historically balanced multiple tensions; i.e. that of a 'social value logic' with an 'economic/market logic'.

Institutional Logics

Adopting another way of looking at how these tensions are created within SEs, one can see how their actions are ruled and structured by different underlying “logics” (i.e. common practices, values, cognitive framework); that pull on their actors who are responsible in the day-to-day operation and who direct the allocation of resources (Knutsen & Chan, 2014; Schroer & Jager, 2015).

One of the main elements of our argument is that an organization has a plurality of potentially competing “logics” that need to be negotiated. Thornton and Ocasio (1999) defined institutional logics as

“[...] the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.”

In the context of our present research, this would refer to all those practices and values (historical and present) embedded in a social enterprise. However, in that process, at any given time and place primacy will be given to one at the exclusion of the other(s), supplanting them in their dominance, or modifying them (Lee & Lounsbury, 2015). Moreover, as Pache and Santos (2013) note with respect to hybrid organizations, the deployment of a given logic (e.g.

commercial or social welfare) is a strategic move intended to gain approval from target stakeholders. Now while we are not directly interested in how such strategic moves take place within the organization, we are interested in how an organization's resources reflect the primacy of one logic over another. In balancing these tensions, it is unlikely that a perfect harmony will exist.

If there appears to be fuzzy boundaries here in terms of what constitutes a social enterprise and what it looks like, that is because at the base the organizations themselves face dilemmas of identity (Skelcher & Smith, 2015). Organizations have juggled, balanced, or attempted to integrate "competing logics" to different extents. Is their mission well-integrated with how they create wealth or not? Social Enterprises face greater tension as a result of taking on this dual role than those companies with single-minded economic goals with a clear profit-driven bottom line (Alegre, 2015).

2.2 The Problem of Performance within Social Enterprises

We have established that social enterprises share a common desire to promote societal goods by reallocating revenue from different sources to their given mission, as opposed to operations primarily driven by profit. As we noted above, these organizations attempt to "solve" different social problems via profit-making ventures. Therefore, these organizations are caught competing between the dual tensions of economic and social performance. However, while substantial

research on the performance of for-profits has been done (e.g. Chatain, 2011), there is comparatively little literature on performance within the not-for-profit sector (Agyenim, B, et al, 2016), particularly around the notion of performance trade-offs. There is even less research committed to understanding SE performance (Crucke & Decramer, 2016).

The ‘hybridity’ of SEs is at the crux of this tension; it is the trade-offs or potential trade-offs in performance between the social logic and economic logic of a SE that makes the issue of performance itself so interesting. Tensions are an intrinsic part of the hybridity of SEs and informs how these organizations are structured, how they operate, and the values and practices that they put in place (Battilana, Sengul, Pache & Model, 2015). SEs, in having competing expectations, are in effect driven by two sets of logics.

While it might seem that anything could potentially stand as an institutional logic, there are recognized broad classificatory frameworks such as religion, state, market and professional bodies (Thorton, Ocasio & Lounsbury, 2012). Markets, for example, acquire their legitimacy (i.e. their source of authority) from share price; the more a firm can command in terms of share price the more legitimate it is. Strategically markets engage in profit-making activities as this is a natural mode of securing legitimacy.

SE’s are a blended organization with aspects of a market logic, which we will hereafter refer to as “economic logic” and a state logic, which loosely relates to what we will call the “social

logic”. SEs engage in profit making activities in order to increase the social good or at least to project legitimacy to its stakeholders and the external environment – a process referred to as ‘decoupling’ (Bromley & Powell, 2012). Their source of legitimacy are the socially conscious consumers that believe the organization is operating for the greater good. Nevertheless, in straddling these two sides of their enterprise it is predicted they will often favor one over the other or they will coopt aspects of both at the operational level (Battilana & Dorado, 2010; Tracey et al., 2011). In contrast, Pache and Santos (2013) have shown that, in fact, in the case of SEs facing potentially competing ‘commercial’ and ‘social welfare’ logics, what happens is a process of strategic ‘coupling’ rather than decoupling or compromising. Based on these latest findings we should expect that aspects of each logic will perforce dominate given local demands on the SE.

While attempting to explain the performance outcomes of SEs, the competing logics that operate behind the practices of the organization must be recognized as an added layer of complexity. In contrast to prior work, both the social and economic outcomes have the ability to be operationalized and understood as fundamentally juxtaposed to one another. To assess SE performance, the authors must carry out an evaluation of both sides and draw comparisons between the two.

2.3 Competition and its Impact on Social Enterprise Performance

The internal mechanisms of social enterprises are fairly well-known, at least qualitatively in terms of how players communicate within the organization and in terms of how such organizations are broadly structured. The decision-making aspects, the formal goals, and the operational layout have all been examined to some extent already (e.g. Smith, Gonin, Besharov, 2013); however, little attention has been paid to ‘externalities’ (Tucato, Barin-Cruz, & Pedrozo (2012) offers an exception, pointing to how organizations must ‘manipulate’ external institutions, like government or regulatory bodies, in order to adapt).

Impact of Competition on Social Performance

There are three main possible trajectories organizations sharing the same market space can take when considering competition and social performance. The first and the least obtrusive is a non-interference stance where the parties engage in their own niche population of consumers without having any substantive impact on each other’s operations. The second and probably the most intuitively promising within the social enterprise industry, is that of cooperation, where organizations may share knowledge, expertise, resources, or may coordinate such that each serves different ends of the same process. Lee and Jay (2015), for example, show how nuanced symbiotic relationships may emerge between larger established companies and smaller SE start-ups. However, neither the neutral nor the cooperative postures reflect the whole story. If they

did, we would not see the closures mentioned earlier, nor would we see organizations “holing up” in their respective bunkers in a defensive move. While SEs may complement one another in terms of what they offer in the life cycle of the product or service, where a particular domain of strategic importance is under direct threat by a competitor, the organization under threat will no longer coordinate and seek to edge out its local competition.

This is especially true of the more well-known and more well-established SEs (e.g. Salvation Army and Goodwill in the context of the second-hand textile industry); newer upstarts and innovators are likely to position themselves within a niche rather than attempt to control the whole sector within a given region (Helms, 2012). The Guardian (2014), for instance, reports on the aggressive tactics deployed by organizations like on Goodwill protecting their territory using political clout. This may seem counter-intuitive if we look at a SE’s purported value-system; if, as an organization the primary goal is the welfare of society would you not seek all possible avenues to create and enlarge the social good – even if it means sharing the wealth (Doherty, Haugh, & Lyon, 2014)? Yet organizations are not monolithic entities with indivisible and clear goals; they are composed of individuals who each have their own stake and their biases; instead, there is a ‘relational pluralism’ both within the SE and between SEs (Shipilov et al., 2014). More, there is an impulse, among groups to cooperate with the in-group at the exclusion of the out-group, a phenomenon known as ‘group-level selection’ (Eckel et al. 2016). In other words,

SEs do not necessarily identify themselves as belonging to the same basic group, but rather have their own independent motives and identities. Given that many of these organizations are in direct competition with one another, there is good reason to believe that competition is likely to have a substantial impact on the social performance of SEs. The particular SE must distinguish their brand (i.e. their mission) and their value to the market of ‘social goods’, which is difficult with the threat of new entrants (Porter, 1980; 2008). Each organization has a mission to fulfill and competition has the potential to put SEs at odds with one another; the possible effect of this competition is on the reduced ability of SEs to carry out their social missions.

Impact of Competition on Economic Performance

Impact on economic performance is very similar to highly valued social performance; every SE, ultimately, is competing for market share. The more players in the same market, the more difficult it is for any individual SE to retain its market share and thus, to maintain dominance. While the aggressiveness and the posture of a firm has been shown to positively impact economic performance, particularly in emerging markets (Giachetti, 2016), the threat of new entrants is a real one (Porter, 1980; 2008). Market share change is here to be taken as a proxy for the level of competition in a region. This threat of new entrants is particularly true where innovation is taking place (Christensen, Suarez, and Utterback, 1998), which has seen to be the case with respect to the second-hand textile industry (Helms, 2012). There is good reason to

believe that just as intensified competition in other markets tends to place greater performance demands on incumbents, the same will be true of competition on SE's ability to remain economically viable.

Nevertheless, just how do these organizations compete with other businesses in the same industry (e.g. second-hand textiles)? This is an issue that has drawn very little empirical research as of yet and in particular there is a dearth of quantitative studies that examine the impact of competition on social enterprises and their dual social and economic performance outcomes.

The Institutional Logics Approach and Competition

SEs have potentially competing values and commitment, which can affect both their actual economic and social performance as well as how they respond to competition - when under competitive threat, the SE will be forced to make difficult decisions and possible trade-offs. The use of institutional logics is valuable in characterizing the type of organization under study (Pache and Santos, 2013; Thorton, Ocasio & Lounsbury, 2012). In the competitive space we have organizations that share similar tensions, but there are also organizations with a more unambiguous profit motive (Baumöl, 1990). While the strategic direction should be obvious with for-profit firms, stemming from its historically derived market logic (Thorton, Ocasio & Lounsbury, 2012), the SE must satisfy multiple underlying logics. This pluralism makes it less predictable in the external environment (Shipilov et al., 2014), as it must negotiate a complex

web of internal and external relationships and organizational drivers. It is important to understand how competition influences the tensions associated with competing logics. Does it influence organizations emphasizing different logics differently and if so, what is the impact on SE's economic and social performance?

This is precisely why the concept of hybridity (where the organization has competing performance expectations regarding outcomes) has been incorporated into the theoretical framework. It is a notion that more fully captures the direction a SE must negotiate (i.e. in terms of its mission related activities or its economic activities) and informs the types of outcomes that are of interest (i.e. social good or profit). SEs are expected to behave differently than for-profits because of their hybrid nature and their need to balance competing logics.

The Differential Role Competition Plays on For-Profit v. the Non-Profit SE

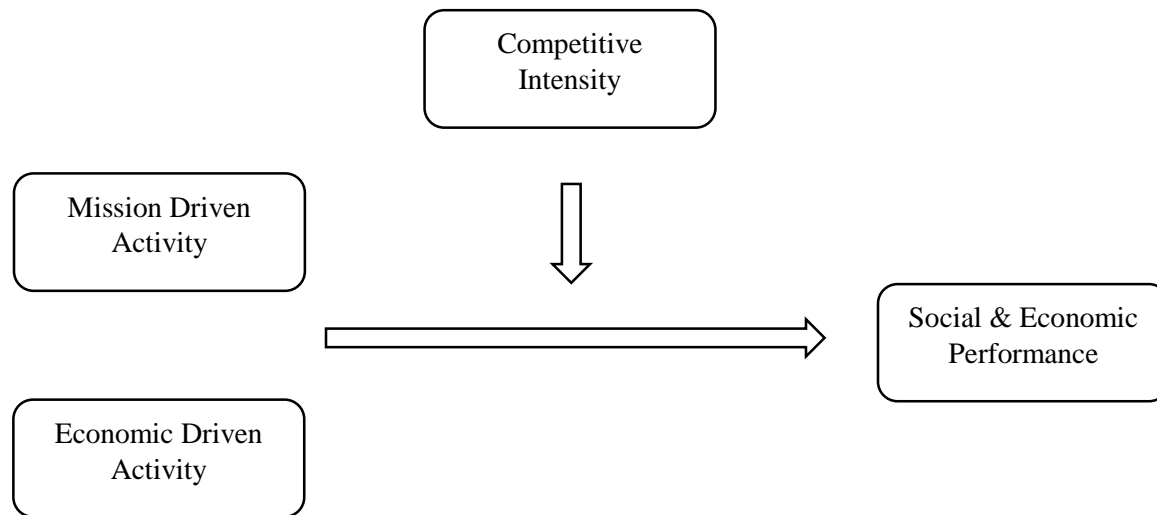
We have established that the traditional for-profit organization is focused on their economic bottom-line; this means that even when there is a desire by the organization actor to create social value, it will never be at the expense of this primary fiduciary concern. By contrast, the SE may utilize for-profit methods of revenue generation; however, their revenue-seeking behavior will always take a backseat to the organization's mandate, which is to fulfill their mission. Finally, as competition has been found to impact economic performance of for-profit firms (Chatain, 2012), competition should influence how SEs balance economic and mission-driven activities and their

consequent economic and social performance. Keeping this in mind, we can also expect that the for-profit is going to respond differently to competition than the SE. The for-profit organization will sacrifice social value creation if it means preserving or increasing monetary return when confronted by competition. The SE, however, should retain their focus on creating social value.

2.4 Hypotheses

Many hybrid firms operate without explicit coordination (e.g., where SEs overlap in specializing in one aspect of the product life cycle rather than differentiating). Rather, because hybrid firms often see themselves as competing towards different missions using similar means (such as filling a particular market niche) it is more likely that firms will behave as if this common source of income is a fixed resource (Eckel et al. 2016). Ultimately, firms will lose revenue because the source of their revenue can be taken away (namely, the textiles will be siphoned off to other firms for profit). This creates a tension at the intrafirm level between where resources are to be allocated and how they are to be utilized. In the context of the present research, these tensions involve potential trade-offs that stem from competing logics (Pache & Santos, 2013), an economic-driven logic of revenue generation and a mission-driven logic of social good. Keeping in mind this is a not-for-profit, there is (or ought to be) a feedback from economic value to social value; yet, in directing resources we should expect to see differences in performance (Agafonow, 2015).

Included below is a flow chart (Fig. 1) summarizing both the direct and interaction effect hypotheses:



Organizational Activity and Performance

Where the dominant logic of the firm is on ‘social value creation’, there will financial and human resources committed to directly fulfilling that firm’s social mission. As noted above, this directing of attention or ‘decoupling’, may hinder financial outcomes and the ultimate longevity of the firm (if it fails to remain competitive itself). Battilana, Sengul, Pache and Model (2015) predicted a similar outcome with Work Integration Social Enterprises (WISE) where ‘social imprinting’ would be associated with a decrease in financial performance, as there would likely be a trade-off taking place between a commitment to the organization’s relational capital and

financial capital.

SEs, at the operational level, will direct resources to activities related to their social mission and to economic-generating activity. However, when a greater level of resources is committed to the former, we will see different performance outcomes. Specifically, where there is an emphasis on social value creation, we should expect greater levels of social performance (i.e. how often and to what degree the mission(s) are being fulfilled); however, there will be a downside in that economic activity is to some extent less emphasized and the firm will perform comparatively less well financially. Again, we should expect that as the organization focuses its activities on developing its relational capital, it is forced into a compromise between its market and social logics.

Within the context of the SE operating in the second-hand textile industry, when the SE focuses on directly helping its stakeholders through, for example, job placement activities, less attention is being paid to those activities responsible for generating a direct source of revenue, hence a loss in financial performance. Thus, we predict:

H1 (a & b): *As a social enterprise increases its mission-driven activities (relative to its economic driven activities), it will increase its social performance (a) but decrease its economic performance (b).*

There should also be a reciprocal benefit observed for social value creation. Social enterprises are devoted and exist because of their social missions; whatever economic outputs they produce

should be reallocated to those missions. This is well illustrated in the case of the Urban Outreach Ministries that generated revenue through the sale of produce and compost and then diverted profits generated from this activity to its stakeholders (Stephenson, Brok, & Loughhead 2008).

On the other hand, when a SE is committed to productive economic value creation in the form of greater staff, infrastructure, expansion, we should see a double-benefit. The anticipated economic gains from these endeavors should find its way directly toward funding social missions and hence increasing overall social performance. Where the dominant logic is to invest in ‘economic value creation’, as in retail operations for example, there should be an increase in financial resources. The key difference is that the revenue generated by its activities of selling clothing can be ‘translated’ into developing social or relational capital. The reverse, however, is not true as noted above; relational capital cannot be directed to aiding that revenue stream.

H2 (a & b): *As a social enterprise increases its relative economic-driven activity, it will increase both its economic and social performance.*

Interaction between the Competitive Marketplace and Mission Driven Activity

We also predict that there will be a complex relationship created between Competitive Intensity and the type of SE activity held as salient by the Hybrid Organization. Balancing competing aims may not always be possible, it is reasonable to assume that at various times, and places, the firm will be allocating more or less to one end of their organizational apparatus or the other. This

reflects different overarching logics and their respective coupling or decoupling; the organization may at times be guided by a greater ‘social concern’ or a greater ‘economic concern’. In sustaining an economic edge (i.e. profit) it may decouple its economic-driven activities from its normative base (its mission-driven identity). The same may occur in reverse, where threatened by competitors, protects its social performance by engaging mission-driven activities (Pache & Santos).

A proxy to suggest that a firm is committed more so to its social causes is in its allocation of organizational resources directly to activities related to their social missions. When a firm demonstrates this commitment, its attention is directed to fulfilling this component of its dual performance expectations. Paralleling the logic operating within a traditional for-profit framework, when SEs are faced with increased competition they will be motivated as organizational actor to outperform others financially or in delivering solutions to social problems. However, in competing on the one front, they will likely lose sight of their need to meet the increasing economic pressures and hence, face decreasing financial performance

As an organization commits resources to mission-driven activities in the midst of an increasingly competitive marketplace, the less it has to effectively generate revenue and stay the tide of competition in that area. Social value creation might see gains, however, because the firm is meeting its competition head-on in this area, devoting financial and human capital to the mission

and its prominence within the community. Whatever negative impact competition may have on the organization's ability to serve its stakeholders would be offset the increase attention the organization devotes mission-related activities. The trade-off is that in protecting its social mission, the necessary investment has not been sufficiently allocated to retail endeavors that might buttress against a loss in financial performance.

H3 (a & b): *As marketplace competition in a SE's context increases the greater the investment in mission-driven activity should help to buffer against competition and therefore, preserve social performance, but decrease its economic performance.*

Interaction Between the Competitive Marketplace, Economic-Driven Activity and Performance

There is a growing body of literature that examines the impact of competition on financial performance. Yahaya et al. (2015) help to illustrate the complex dynamics involved with competition, noting that certain authors view competition as a positive influence, while others see it as negative and destabilizing. At the heart of it, competition tests incumbents within an industry in their ability to generate profit and produce and as Rothaermel (2000) explains that when competition increases there is potential for innovation and a healthy symbiosis between new entrants and incumbents. We can reasonably expect that how a SE's performance financially hinges on their strategic response to competition.

In contrast, when a greater share of organizational resources is being committed to the economic viability (and profitability) of the firm, we are alerted to a change in the dominant logic. With that change, we should expect a different level of response to competition with respect to retaining and recuperating lost revenue. The organization is oriented to performing well on a financial front and thusly, it would be reasonable that the firm with this logic as dominant would perform better in response to competition.

Not surprisingly and consistent with our earlier predictions regarding an emphasis on social logic, we suppose that if economic logic dominates by contrast (and less monies allocated to the social missions), the overall outcomes for social performance should further diminish in the presence of competition. Whatever gains in revenue predicted by the greater economic performance would be offset by reinvesting in the infrastructure aimed at increasing retail presence; so, even though we might expect greater profits reassigned to social missions, this is not likely the case as the firm dominated by the economic logic looks to expand on its fiscal interests.

In practice, this means because the firm is expanding its services and its revenue-generating base, it will have the means to stave off and quash competition. To retain its position as a market leader, it needs to devote resources to this side of its operations. However, in so doing, they may lose its standing as a social entrepreneur because these resources are not making its way to its

stakeholders.

What the SE is likely to do when faced by greater competitive pressures is to innovate (e.g. in terms of its product, its distribution, its pricing) in order to capture consumers (Ebrahim, A., Battilana, J., & Mair, J., 2015). This will disrupt and help to buffer against the negative effects of competition; so though the SE in devoting itself to its economic driven activities, it is able to actively respond to these threats.

H4 (a & b): *As marketplace competition in a social enterprise's region increases the investment in economic-driven activity should help to buffer against the negative effects of competition and maintain its economic performance but decrease its social performance.*

Methods

3.0 Approach and Rationale

The Second Hand Textile Industry as SE

In this paper, we study a long-standing social enterprise in the second-hand textile sector; it is an area that has been long associated with social enterprises. Given the history and prominence of organizations with explicit social missions in the second hand textile sector, it was a logical first step into examining the dynamics of competition on social enterprises (Cervellon, Carey, & Harms, 2012). These organizations have had an established and successful history of raising money through the second-textile business as a means to fund their various social missions. This industry is a staple of many SE's revenue base and thus provides an excellent source of insight on how they behave in the open market place.

Contemporary Tensions over Performance Expectations among SE

However, as this paper has repeatedly attempted to demonstrate, the need to balance economic and social performance expectations has become central to the activities of these SEs.

Articulating what those performance outcomes is critical in understanding how well SEs balance these expectations and whether trade-offs do take place. Within the context of our study here, we

applied a logics framework to assist in operationalizing the performance measures and the budgetary activity of the organization with respect to its investment into retail and mission activities.

The Rise of Competition and its Impact

The level and variety of competition present within the second-hand textile industry provides an ideal area to explore the actual effects of competition. In order to understand how competition is effecting the performance outcomes of SEs, it is best to use an industry that has been experiencing growth and the second-hand textile industry is definitely seeing considerable growth and increasing demand. The number of organizations entering and establishing themselves in regions for the collection and sale of second-hand clothing make this industry ideally suited to observing the impact of competition on SEs. Ultimately, these are organizations that have branded or identified themselves as SEs.

3.1 Summary of Dataset: Case Example and Regional Competition

It is a crowded space with many different types of players from for-profit entities like Plato's Closet and hundreds of local "vintage" and thrift shops to the charity-oriented organizations like those mentioned above, such as Goodwill, Salvation Army, and St. Vincent De Paul. The way they collect their textiles differ; how they sort, organize, and dispose of their textile likewise

differ; as do their fundamental objectives and their target market.

The issues examined within the confined of this paper is well suited to the quantitative dataset that we employed. Firstly, organizations within the second-textile industry, as mentioned, are positioned as SEs. Second, the case organization looked at here possesses this dual tension between social and economic performance outcomes; this hybridity makes them a good representative case upon which develop theory. Thirdly, we are able to observe the dynamics of performance as it changes across regions and over time. Finally, the authors have collected and analysed competition data by region for this industry with the primary target being the given market share controlled by the organization's competitors. These data were obtained through an agreement with the primary organization under investigation and the data examined were collected by the organization over the indicated period.

This particular dataset includes a wide range of economic and demographic variables from the organization itself, which though operates internationally is decentralized in terms of decision making and strategy; the dataset collected covers seven-year period; these data encompassed information regarding funding sources, employee and program statistics. Broadly, the statistics gathered were broken down into two main sources of activity: retail, which included the collection and sale of second-hand textiles and program data that pertained to activities related directly to their social mission. In addition, data were obtained corresponding to competition by

region (e.g. number of stores, competitor revenue, whether they were for-profit versus not-for-profit).

The variables included within the dataset range widely in terms of values and scales; this has permitted a certain flexibility in generating desirable indices, however it has also made the analysis more complex, which we will discuss in the next section. Following are hypotheses that we were able to generate based on available data and inspired by the gap in the literature.

3.2 Defining the Variables

Dependent Variables

It was possible by looking at these data to generate reasonable proxies for Social and Economic performance. The use of the logics framework is consistent with the hybrid nature of SE's and by taking objective measures as proxies for their performance, we can then make reasonable inferences as to how good the organization is at managing these tensions and performing overall. However, in keeping with the for-profit literature on performance, a brute measure of overall financial performance is assessed by looking at **aggregate or total revenue**.

In terms of assessing **economic performance** outcomes we derived a proxy by taking *the ratio of total revenue over the sum number of donations collected*. This gave us an idea of how much revenue could be generated per donation by the organization and the general efficiency with

which the used clothing was being sold at their retail locations. This is compared to the overall revenue. For **social performance** as a dependent variable we looked at *the ratio of the number people served over the number of donations collected*. In other words, we were interested in how efficiently each collected piece of clothing translated into employment. There were many possible sources that could have been used as reflecting socially desirable outcomes; however, this variable was broad enough to represent one of the overarching missions of the organization as well as sufficiently complete for a more reliable analysis.

Predictor Variables

The primary driver behind this research was to examine the external impact of competition on the SE's performance. There were many options for selecting a proxy for competitive strength including: the number of brick and mortar locations represented by the competition in a region; the absolute revenue of these different competitors by region; the relative revenue of competition against the organization under study by region. However, the authors favored the simplicity and the robustness of *overall market share held by competitors* as a proxy for **competitive intensity** – simply the total market share not held by the organization.

The other independent variables included in the study reflected the amount of organizational resources allocated to the two qualitatively distinct parts of the firm; these were respectively, the **Retail** side which dealt with textile collection and sale and the **Contract** side which was

responsible for activities such as employment efforts. They were each measured by the sum *amount of expenses devoted to each broad set of activities*. In the context of the research, Retail Activity represents Economic Driven Activity (dominated by a market logic) of the organization, while Contract Activities represents Mission Driven Activity (dominated by a social welfare logic).

Control Variables

The first control variable that was selected was the **territory population** of a given region where competition takes place. It is common practice in the literature to consider the potential impact that sheer population volume may have on financial indicators, with the ultimate goal of factoring out this influence. In this particular case, there is reason to believe that local population size may account for some of the variance between our independent and dependent variables. Densely populated areas may behave differently in terms of consumer patterns and may have a greater degree of diverse competition, for example. Another concern might relate the relationship between territory population and the actual amount of textile disposal and collection.

The third control variable included in our models is **management ratio**, which represents *how top heavy an organization is within a given region*. Whether there is more top-level management relative to middle managers and frontline staff could have an impact on how well an organization is able to carry out its mission; there is evidence that it does have a potential

impact on the bottom line (Hamel, 2011).

The second variable used as a control is the **year** from which the data is taken; the years were coded as *integers from one through seven* (2007 would be coded as 1, 2008 as 2...2013 as 7) as using actual year numbers has been shown to unduly influence results. The rationale is to account any influence time may have had on the variance observed in the dependent variables through those years. We should naturally expect that performance, in particular, should vary somewhat overtime and it is crucial that these effects not be conflated with our factors of interest.

The fourth control variable selected was the **country** (coded as 1 or 2, depending on which of the two countries from which that data was pulled). Macro factors like laws (for example around taxation and the legal status of organizations); regulatory bodies; industry-level differences as well as the level of competition can be expected to differ across nations. This has already been shown in studies comparing SE's operating in Europe as opposed to North America (Chell, Nicolopoulou, Karatas-Ozkan, 2010; Hansen, 2000a). The authors wanted to rule out any possible cross-country variation.

Tests for Robustness

There were a number of variables considered at each stage of the analysis (from the raw

correlations generated to the GLMM for each condition) both in terms of the independent and dependent variables. The following independent and dependent variables were examined before making any final decision regarding best fit.

When examining competition as a predictor variable, there were a number of options at our disposal from the dataset and they were each examined in terms of how they influenced the overall model for each of the DV conditions. **Entry** and **Density**, defined respectively as the *number of competitors entering the market* and the *concentration* of competition in a region. **Competitive Dispersion** was looked at and was defined as the *number of different competitors in a region divided over the percentage of market share controlled by said competitors*. **Competitor Revenue** was also looked at, as well as whether the competitors were for-profit or non-profit.

In terms of the dependent variables, included in the models were *number of people placed into employment divided over number of donation collected* as a **Social Performance Index** variable, as opposed to just the number of people served. For **Economic Performance** we also considered taking *the sum revenue generated by both activity streams*. Finally, we also considered *pounds of donations* as the common denominator used in the dependent measures.

Results

4.0 Descriptive Statistics

Table 1 provides a summary of the pertinent variables used in the study, including basic statistics and correlations. The first observation that is salient from the data in the table below is that variables such Territory Population, Social Value Creation, and the Social and Financial Indices all have considerable dispersion. Comparing their standard deviation to their respective means, the reader will immediately notice that there is a considerable amount of variability in the data and this is no small part a result of the heterogeneity of the sample, which compares an economically and socially diverse North American region. In order to tackle this in the analysis, a Generalized Linear Mixed Model (GLMM) approach was employed; this suits the diverse scales and values encountered in the dataset.

The correlational data also provides some (though not entirely) anticipated relationships. The level of institutional investment into retail activities, which has been denoted to represent ‘Economic Value Creation’ correlates well with financial outcomes. The exception here is Financial Index 3, which is calculated using the number of donations as the denominator rather than pounds of donations. Similarly, the level of contract activity correlates reasonable well with at least one measure of social performance.

Overall, the story that these broad, surface level statistics tell is largely consistent with the hypotheses that were constructed in the earlier section, with some minor exceptions. A more nuanced examination is required to understand exactly how these variables interact, after partialling out the potential overlap in variance.

Variance Inflation Factor (VIF)

Multicollinearity was examined by running a regression of the control and predictor variables on Economic Performance and Social Performance separately. When Year (*tolerance* = .96 ; *VIF* = 1.05), Territory Population (*tolerance* = .981; *VIF* = 1.02), Management Ratio (*tolerance* = .91; *VIF* = 1.02), Economic-Driven Activity (*tolerance* = .69; *VIF* = 1.45), Mission-Driven Activity (*tolerance* = .64; *VIF* = 1.56), and Competitive Intensity (*tolerance* = .92; *VIF* = 1.09) were entered in with Economic Performance as a DV, no issues with collinearity were present and the assumptions around multicollinearity were met. The same tests were ran for Social Performance using the same set of predictors (Year, *tolerance* = .96; *VIF* = 1.05; Territory Population, *tolerance* = .98; *VIF* = 1.02; Management Ratio, *tolerance* = .91; *VIF* = 1.10; Economic-Driven Activity, *tolerance* = .69 ; *VIF* = 1.45; Mission-Driven Activity, *tolerance* = .64; *VIF* = 1.56; Competitive Intensity, *tolerance* = .92 ; *VIF* = 1.09); again, assumptions regarding multicollinearity were met.

4.1 Analysis and Results

In analyzing the data, Generalized Linear Mixed Models (GLMM) was employed, with the rationale being that many of the variables fell on different scales. While various models were ran, the final models only included Social Index 1 (as measured by “Total Number Served” over the “Total Number of Donations”) and Financial Index 1 (as measured by “Total Revenue” over the “Total Number of Donations”) as they both demonstrated greater overall effects based on the correlational data noted above. Separate models were ran to examine main effects, relevant to hypotheses one and two, and the interaction effects hypothesized in three and four.

Robustness Tests Findings

The strength and consistency of the models were tested by running alternative measures for social and economic performance as our dependent measures and competition a predictor variable. They were examined at a correlational level to see the strength of their superficial relationship and direction; they were also entered into the full model under each hypothesized condition. It was deemed important that alternate measures at least be consistent in direction with the hypothesized relationships.

When addressing the alternative measures for competition, none of the alternatives were reported as reaching significance in the overall models; however, the correlations suggested, at least,

directionally congruent relationships. **Entry** and **Density** were problematic in interpretation due to the number of rejected entries from the final models (as a result of missing or null cases).

Similarly, when running ‘**competitive dispersion**’ as an index of competitive intensity (i.e. the number of competitors in an area over the relative market share controlled by those competitors), we found they were poor over predictors. Finally, it should be noted that when alternate measures for competition were entered in together, they did not significantly eat away at the variance of competitor market share, but remains directionally the same.

In terms of our alternate dependent measures for social and economic performance, they did, as a whole, contribute more to the overall variance in each model when entered in; however they performed inconsistently and often below significance when run through all models examined. Using the *number of people placed in employment* provided offered limited results; although, again, in each hypothesized relationship this index to social performance remained directionally consistent to the variable adopted in the final analysis.

Models Summary

In a stepwise fashion, control only models were ran for each of the dependent variable (i.e. the two types of performance: social and financial). After the control model was ran, the first predictor variable (either Contract Activity or Retail Activity) was added and then the competitor variable (i.e. Competitive Market Share). If these models proved independently significant, a

two-way interaction between the predictor variable and the competitor variable were tested. We first test the controls only models for financial and social performance, summarized in tables 2 & 3 respectively. We do observe significant effects of Year ($b = 1.84$; $p = .000$) and Country ($b = -12.54$; $p = .000$) on Financial Performance; this can be accounted for by noting that, on the average, financial performance has increased over this period, but that the largest source of revenue appears in the U.S.. This is not seen as problematic and are not anticipated to impact the overall model. Similarly, we see significant effect of Management Ratio ($b = -.16$; $p = .005$) on Social Performance. It may be that where locations are more top-heavy, there is a relatively poorer performance in how individuals are serviced. Nevertheless, this effect is not expected to impact the relationship between model predictors and the two performance measures.

Table 1
Descriptive Statistics and Correlations

Variables	Mean	s.d.	1	2	3	4	5	6	7
1. Year	4	2							
2. Territory Population	2.01 M	2.36 M	0.09						
3. Management Ratio	0.119 8	.0462	0.02	0.5					
4. Economic Value Creation	0.413 3	0.131 9	0.05	- 0.08*	.07*				
5. Social Value Creation	0.137 9	0.136 5	-0.02	0.02	- 0.20**	-0.50**			

6. Competitive Market share	73.48	14.71	-	0.16*	-0.10*	-0.13**	0.13*		
			0.19**	*			*		
7. Econ Index	40.61	14.6	0.28**	-	0.09**	0.19**	0	-21**	
				0.08*					
8. Social Index	0.005	0.074	0.06	0.15*	-0.2	-0.27**	0.05	0.04	0.15*
		2		*					*

$p < .05$ ** $p < .01$

In order to test Hypothesis 1 we add Contract Activity as a proxy for “social value creation” to the controls model and test for both Social Performance and Financial Performance. From these results we see that while hypothesis 1a is supported ($b = .054$; $p = .025$), hypothesis 1b is not ($b = 8.68$; $p = .044$) – in fact, we see that the relationship is significant in the opposite direction than predicted. So, while Contract Activity does appear to be a strong significant predictor of Social Performance, it is also a good predictor of positive Financial Performance.

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The second hypothesis, which predicted a positive relationship between Retail Activity and both

financial and social performance, was then tested. Based on the results, there is evidence of support for hypothesis 2a ($b = -.064; p = .002$) and support for hypothesis 2b ($b = -2.09; p = .080$) approaches significance. In other words an institutional commitment to Retail Activity does appear significantly predict negative outcomes for social performance and positive outcomes for financial performance. The controls do not appear to have an impact on the main effect models. The existing relationships remain undisturbed and there is no significant evidence of variation.

Finally, potential interactions between competition, as measured by a percentage of market share, and the predictors are explored. The results support hypothesis 3a, where there is a significant positive interactional or buffering effect of competition and contract activity on social performance ($b = .009; p = .000$); however, there was a significant positive interactional effect of contract activity and competition on financial performance, which is the opposite outcome from what had been predicted.

Lastly, the interaction between retail activity and competition on the two performance variables are evaluated. Given these data, we must reject hypothesis 4a as there appears be a negative interactional association between competition and retail activity on financial performance, contrary to original expectations. However, there is significant evidence for the negative impact of competition and retail activity on social performance.

The results of these models are summarized on Table 2 below:

Table 2

Generalized Linear Mixed Models – Models Summary

	Controls Only – Econ. Perf.		Controls Only- Social Perf.		Contract Activity on Social Perf.		Contract Activity on Econ. Perf.		Retail Activity on Social Perf.		Retail Activity on Econ. Perf.		Contract X Competition on Social Perf.		Contract X Competition on Econ Perf.		Retail X Competition on Social Perf.		Retail X Competition on Econ. Perf.	
	CoEff	P	CoEff	P	CoEff	P	CoEff	P	CoEff	P	CoEff	P	CoEff	P	CoEff	P	CoEff	P	CoEff	P
Parameter																				
Intercept	31.42	.000**	0.027	.023*	0.021	0.18	30.09	.000**	0.05	.000**	29.92	.000**	0.103	.008**	42.27	.000**	-0.27	.000**	-29.66	0.015
Year	1.84	.000**	-0.001	0.549	-0.001	0.607	1.71	.000**	-0.001	0.772	1.76	.000**	-0.003	0.383	2.05	.001**	-0.003	0.324	2.17	.000**
Country	-12.54	.000**	-0.003	0.832	0.011	0.583	-11.35	.001**	-0.008	0.576	-12.27	.000**	0.032	0.372	-9.04	0.125	0.01	0.73	-12.53	0.372
Territory Pop	0	0.959	0	0.174	0	0.217	0	0.999	0	0.271	0	0.929	0	0.23	0	0.982	0	0.213	0	0.941
Management Ratio	4.75	0.664	-0.16	.005**	-0.168	.023*	11.77	0.375	-0.142	.015*	-2.09	0.851	-0.223	.017*	3.29	0.831	-0.172	.019*	-1.34	0.918
Contract Activity					0.054	.025*	8.68	.044*					-0.624	.000**	-116	.000**				
Retail Activity									-0.064	.002*	6.87	0.08					-0.695	.000**	134.58	.000**
Competitive Marketshare													-0.001	.021*	-0.177	.005**	0.004	.000**	0.723	.000**
Contract X Competition													0.009	.000**	1.63	.000**				
Retail X Competition																	-0.01	.000**	-1.63	.000**

* $p < .05$ ** $p < .01$

4.2 Interpretation of Results

The intuitive notion that investing in economic value creation (as measured by the level of retail activity) would have a deleterious effect on social outcomes were supported, when not taking into account the effects of competition; however, economic value creation is only a modest predictor of positive financial outcomes. Similarly, we see both intuitive and counter-intuitive results when looking at social value creation. Investing in social value creation (as measured by contract activity) as opposed to retail activity (again, it is the relative investment here that matters), seems to have positive impact on *both* social and financial performance; the latter result goes against the notion of their being trade-offs as a result of the organizational actor being focused on certain activities at the *exclusion* of others (Battilana & Dorado, 2010; Tracey et al., 2011). Likewise, the institutional logics framework would posit that the culture and operation of the organization would be geared toward its recognized stakeholders; hence a preference for certain values over others (Pache and Santos, 2013; Skelcher & Smith, 2015).

There were robust effects between competitive intensity, as measured by market share control, and whether the organization was more economic-activity driven or mission-activity driven in terms of economic and social performance. In terms of mission-driven activity, competition seemed to increase the effects; while, in the case of economic-driven activity, the opposite appears to be the case. Although, this study was exploratory, it is sufficiently clear that real

world cannot be simply or cleanly modeled from the understanding of an organizational actor as a conceptual coherent and stable entity.

In summary, there is partial support for hypotheses 1, 3, and 4 and fuller support for hypothesis two. The theoretical rationale behind these results will be explored in the next section.

Discussion

5.0 The Results in Relation to the Literature

To reiterate the research question: How does the experience of greater competition influence the social and economic performance of hybrid organizations? The results of this study demonstrate that outcomes do not flow linearly from either mission-driven or economic-driven activities.

While there *does* appear to be some empirical support for the common-sense and theoretical assumption that organizational actors that engage more in one type of activity over another, with respect to their own internal mandates, will have outcomes that generally favor one over the other (Skelcher & Smith, 2015). However, the nature of these trade-offs can take unexpected trajectories. What we have found here, for example, is that a commitment to social value creation has a positive impact on both financial and social outcomes.

The Social and Economic Performance of Social Enterprises

Although one of the most studied topics, research of performance, has emphasized economic performance of for-profit firms (Chatain, 2011). Substantially less research on the social and economic performance of SEs has been conducted. Crucke & Decramer (2016) may be an exception here; but their emphasis were on establishing both qualitative and quantitative metrics for internal use by an organization, rather than as a means of comparing the SE relative to others

within that space.

This study has looked at two essential components: 1) the performance of SEs, in terms of its social and economic outputs and 2) the amount of dollars affixed to certain specific types of activity, namely mission-driven and economic-driven activity.

Understanding the Hybridity of SEs

The hybrid nature of social enterprises have strong implications for their performance (Lee & Jay, 2015). To date little work on how their emphasis (investment in) social versus economic logics influence their performance. Haigh, Walker, Bacq, and Kickul (2015) have offered a clear, sufficiently-encompassing definition of hybrid organizations that frames them as being geared towards solving social problems using market means (regardless of their formal classification as for-profit or non-profit).

As is to be expected, even where the intent by be theoretically to solve social problems, when it actually involves committing resources, SEs are often forced to assume one logic or the other (Knutsen & Chan, 2014; Schroer & Jager, 2015). Consequently, we observe discrete sets of activities; one aimed at directly satisfying the organization's mission and the other in generating extra income through the market. The tacit tension that exists for the SE has potential implications for their performance.

The study has shown for example, that when involved in largely economic-driven activity, a relative performance loss is observed for social outcomes. However, when the organization is more fully involved with the mission both economic and social performance seem to benefit. The exact reasons, while not one hundred percent known, does point to the underlying complexity of the relationship between how an organization commits to certain activities and what their actual performance is in the end.

The Impact of Competitive Intensity on SEs

Research has focused upon internal versus external environmental tensions. Currently, it is unknown how competitive pressures influence the social and economic performance of hybrid social enterprises. Organizational actors do not operate in a vacuum and there is a healthy literature that looks at organizational outcomes in the context of their competitive environment (e.g. Chatain, 2011). However, as noted, there is little work done on how SEs specifically behave within their own competitive space. The results of this study show an undeniable impact of competitive pressures on how SEs are able to fulfill their mandates, given differential allocations to certain operations (i.e. retail versus contract activity in this case).

5.1 Theoretical and Practical Contributions

This exploratory study informs the literature by building an initial theory on how competition influences the performance of firms that emphasize social and economic goals differently and to

build and develop new theory on how competition influences the performance of social enterprises.

As mentioned earlier, there is little quantitative research that takes into account both the social and economic dimensions of SE performance (Crucke & Decramer, 2016). In this study, we have examined how well the organization performs in terms of missions, specifically, in placing individuals with employment. This was contrasted with their financial bottom line, best captured in their ability to ‘convert’ donations to revenue. These measures, taken over time and across a broad set of regions, each with their own competitive dynamics, give us a picture of how this organization performs as a whole.

Furthermore, in looking at how they allocate their resources to different ends of their operation, we are able to infer a different level focus and attention drawn to either a social logic or an economic logic. When organizational actors are concerned about adhering to one logic, it is important to observe if this has impact on their ability to fulfill their collective interests.

Ultimately, organizations are dynamically responding not only to internal concerns over identity management and the heterogeneous composition of its members, but also to the external players that push the organization to adopt certain courses of action to remain relevant to stakeholders. It is one of the cornerstones of this study that we focus on how external pressures, as represented by marketplace competition, impacts on an organization’s ability to negotiate these tensions.

In terms what the results mean in terms of managerial practice, it should of interest for decision-makers to note that their expectations should not be merely framed by what they allocate toward a given budget - where they direct moneys may not have anticipated outcomes depending on other factors, such as their direct competition. Moreover, decision-makers must be cognizant that even their relative investment into one activity or another can have an impact on how well they respond to competitive threats.

5.2 Limitations

In spite of the richness of the dataset, there were several notable limitations with respect to the completeness of certain variables as well as the sheer heterogeneity of the variables examined. Conducting a fine grain analysis was difficult and deriving firm directional hypotheses was equally problematic; however, as far as exploratory research is concerned, interesting trends were observed.

Secondly, it should be noted that this particular study looked at how SEs operated within a very specific sector of the economy (i.e. the second-hand textile industry). It is entirely possible that the same trade-offs observed in the face of competition may play out differently in a different sector or industry. As such, generalizing these findings to SEs operating in other sectors is not possible from the current dataset.

Moreover, while this study was international, it was still a North American sample and the ‘logics’ that underlie SEs within other settings (e.g. European) may expect to behave differently (Bosma & Levie, 2010). The market logic and social logic divide that is observed in NA (Chell & Karatas-Ozkan, 2010) is not as cleanly delineated in Europe and elsewhere.

Finally, this study focused specifically on a non-profit SE. Innovation may be a common factor among SEs, but how they operate, how they benchmark their performance, what they are willing to sacrifice might be expected to change if we were dealing with a for-profit SE. The literature is replete with SEs of different kinds, from the ‘socially conscious’ corporation to the more common charitable organization that simply utilizes a market logic in shoring up moneys for their mission (Kim, Karlesky, Myers, & Shifeling, 2016).

5.3 Conclusion

Overall, this study provides an excellent first step into a nascent research area and one that is currently dominated by qualitative techniques. What this study was able to do was model SE performance on a large, macro-scale within the context of the real competitive environment in which enterprises operate. We have investigated how a SE that is more focused on mission-driven efforts or economic-driven efforts will have different outputs; although, as we have seen, the actual direction of these performance outputs are far from obvious. Engaging relatively more in economic-driven activities does seem to relate to positive economic performance and poorer

social performance. However, mission-driven activities appeared to have an overall positive impact on both measures of performance.

The competitive intensity observed within given regions where the organization runs its operations has a major observable impact and adds an additional layer to how we are to interpret SEs activities within the larger context of their environment. While competition does appear to catalyze some trade-offs, we also see that SE's that are mission-driven respond effectively to greater competition, in terms of both social and economic performance.

The context for this research was the second-hand textile industry, which was ideal given the number of players involved within this sector, but as the authors have acknowledged is not necessarily generalizable to all SEs. Nevertheless, the results of this study informs both how we think of SEs conceptually as living organisms within its own ecology. In addition, it should offer some insight for the actors within the organization in their attempt to establish strategy and navigate that environment - investing dollars into one stream of activities will not necessarily entail certain predictable outcomes.

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